GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:263
ANSWERED ON:31.08.2007
HIGH CHARGES BY CREDIT CARD COMPANIES
Radhakrishnan Shri Varkala

Will the Minister of FINANCE be pleased to state:

(a) whether the Government is aware that credit card companies / banks are charging high rates of interest on the balance amount and also levy heavy charges for their services;

(b) if so, the reasons therefor;

(c) whether the Reserve Bank of India has prescribed any norms in this regard and a ceiling on the fees for credit card companies/banks to prevent the exploitation of common man;

(d) if so, the details thereof; and

(e) the steps being taken by the Government to issue directions to credit card companies / banks for taking reasonable charges?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a) to (e): A statement is laid on the Table of the House.

STATEMENT FOR LOK SABHA STARRED QUESTION NO.263 FOR 31st AUGUST, 2007 REGARDING HIGH CHARGES BY CREDIT CARD COMPANIES TABLED BY SHRIVARKALA RADHAKRISHNAN

(a) & (b) : Credit Card operations of banks, including interest rates and other charges, have been deregulated except that banks should have a minimum networth of Rs.100 crore to undertake the business either independently or in tie-up arrangement with other banks. However, in order to ensure that banks / Non-Banking Finance Companies (NBFCs) run their credit card operations in a fair and regulated manner, Reserve Bank of India (RBI) has issued a Master Circular on Credit Card Operations on 2nd July, 2007. These guidelines cover various issues concerning credit card operations, like adoption of fair practices code for credit card operations, interest rates and other charges, protection of customers against wrongful billing, liabilities and responsibilities of the banks in respect of Direct Sales Agents (DSAs) / Direct Marketing Agents (DMAs) / Recovery Agents engaged by them, protection of consumer rights, redressal of grievances, setting up of internal control system to combat frauds, etc.

(c) to (e) : In order to ensure transparency in banking services, RBI has issued instructions to banks on 16 May, 2006, to display and update the details of various service charges in the prescribed format on their websites and in their offices / branches. While fixing the service charges, the banks are expected to ensure that the charges are reasonable, consistent with the cost of providing the services and that the customers with low value / volume of transactions are not penalized. Further, vide its instructions dated 20th July, 2006, RBI has advised the banks that the service charges and fees may be placed on the home page of their websites at a prominent place under the title of `Service Charges and fees` so as to facilitate easy access to the bank customers. The banks are also required to provide a complaint form alongwith the name of the nodal officer for redressal of the complaint, on the homepage itself to facilitate complaint submission by the customers.

RBI has advised the banks that the annualized percentage rate (APR), the method of calculation of APR, late payment charges including the method of calculation, the manner in which the outstanding unpaid amount is to be included for calculation of interest, etc. on credit card dues should be indicated by card issuing banks in the `Welcome Kit` and monthly statement. Banks have also been advised to be transparent in fixing their interest rate / service charge on credit card dues and include the above in the Most Important Terms and Conditions (MITCs). Further, credit card scenario is being constantly monitored and instructions to banks on their credit card operations are issued by the RBI, on an ongoing basis.

The Banking Ombudsman Scheme, 2006 has been notified w.e.f. 1st January, 2006 enlarging the scope of the scheme to cover customer complaints in areas such as levying service charges without prior notice to the customer, non-adherence to the Fair Practices Code as adopted by the banks, credit card complaints, deficiency in providing the services assured by the banks through their agents, etc.